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TO RUEHC/SECSTATE WASHDC PRIORITY 8720  
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RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA PRIORITY  
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY  
RHHMHBA/COMPACFLT PEARL HARBOR HI//N541// PRIORITY  
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA// PRIORITY  
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INFO RUEHFK/AMCONSUL FUKUOKA 3837  
RUEHNH/AMCONSUL NAHA 6247  
RUEHNAG/AMCONSUL NAGOYA 2738  
RUEHKSO/AMCONSUL SAPPORO 4542  
RUEHOK/AMCONSUL OSAKA KOBE 7502  
RUEHBJ/AMEMBASSY BEIJING 9614  
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RUEHUL/AMEMBASSY SEOUL 5668  
RUCNDT/USMISSION USUN NEW YORK 6511  
RHEHAAA/NSC WASHDC

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SUBJECT: TOKYO MEDIA REACTION - G7

LEAD STORIES: Top stories on Friday morning included a Pentagon statement denying allegations that Japanese fuel was diverted to US Navy vessels engaged in operations in Iraq.

"G7 Should Remove Distrust" The liberal Tokyo Shimbun editorialized (10/19): "...The subprime loan problem will be the major focus of the upcoming G7 meeting. G7 nations need to make every effort to stabilize the market by conducting in-depth discussions addressing such issues as the impact on the world economy, the prospect of settlement of the subprime loan crisis, and the reliability of rating firms that evaluated housing loan products. The US, Japan, and Europe should coordinate their views about cooperative measures, including potential interest rate cuts, in order to prepare for a possible credit crunch... G7 nations plan to meet with managers of sovereign wealth funds. Their discussion should be aimed at increasing transparency in their management in order to avoid unnecessary confusion in the market."

SCHIEFFER